

Iowa Insurance Division

News & Information (For Immediate Release)

IOWA INSURANCE DIVISION

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Commissioner Announces Decision on Wellmark Rates

Reduced reduction approval combines with examination on two issues

DES MOINES, January 28, 2011 – Iowa Insurance Commissioner Susan E. Voss has completed her review of the Wellmark rate increase request filed with her office in November. The company will not be permitted to raise individual health insurance policy base rates by 10.8%, as they had requested, but will be allowed an 8.5% increase. This applies to the three major Wellmark pools. The fourth, a much smaller pool made up of group conversion policies, will see its 15% increase request approved.

This decision follows a new rate review process which included, in addition to traditional filing of required data for analysis of the rate request, a special opportunity for holders of Wellmark policies to provide their comments regarding the request to the Insurance Consumer Advocate both online and at a public hearing on the matter. Two hearings were actually held, and one of them featured the opportunity for the involvement of people across Iowa who joined through teleconference opportunities. Also, in addition to the standard actuarial review by the Division, an additional independent review was done by another actuary.

Based on that information and the concerns by the Division that underlying health care costs continue to increase, the justified rate increase amount was determined to be 8.5%, effective April 1, 2011.

Voss included in her response to Wellmark a notice that the Division would be conducting a special company examination of the firm specific to two issues:

1. A company examination will soon be conducted to determine the company's capital position in order to determine if the company is holding appropriate capital in relation to the company's risks. A secondary question in the examination will be the possible impact on rates that might result from making adjustments in the overall capital adequacy of the carrier in preparation for meeting current and projected risks.
2. Another component of the examination will be an analysis of the carrier's market share, and whether that presents any adverse impact for Iowa consumers. Market share may

have changed with the exit of some of Iowa's smaller carriers from the health care market in the last several months.

"We've heard the concerns of Wellmark's customers," said Insurance Commissioner Susan Voss. "We think the time is right for a careful professional analysis of these two additional areas. We gained valuable insights from the extended review just completed that allowed us to arrive at the appropriate level of permitted rate increase. Learning more facts on these points will be useful in future considerations of rate adjustments."

About the Iowa Insurance Division

The Iowa Insurance Division (IID) has general control, supervision and direction over all insurance and securities business transacted in the state, and enforces Iowa's laws and regulations. The IID investigates consumer complaints and prosecutes companies, agents and brokers engaging in unfair trade practices. Consumers with insurance or securities-related questions or complaints may contact the IID toll free at 877-955-1212 or visit the division on the web at www.iid.state.ia.us.